

Supplemental Appropriation



The issue with fire suppression costs is when and how much appropriation authority is needed to operate during and after fire season. When fire costs are paid from DNRC appropriations made for another activity, the department faces an appropriation shortage between the time costs are paid and the time the legislature meets.

In addition, if the department is unable to continue to operate and pay for fire suppression due to the lack of appropriation authority the legislature could find itself in special session to establish the authority to cover the cost of fire season. The cost of fire suppression incurred by DNRC (and potentially limited other agencies) not covered by the Governor's emergency fund, are paid by the legislature during the legislative session through a supplemental appropriation. All programs that had contributed authority during the fire season are also reimbursed through this supplemental appropriation.

If the fire season is severe, the legislature may be faced with an emergency supplemental appropriation in the first few days of session to keep DNRC operating. This will probably be the case for the 2007 legislative session.



Its Paid From the Ending Fund Balance

Because no specific appropriation is made for fires suppression before hand, the general fund ending balance must be sufficient to pay all costs of the supplemental appropriation passed by the legislature and approved by the Governor.

Federal Assistance



Federal assistance for fire suppression is made available to the state when the conditions meet federal thresholds. FEMA determines whether the threat posed by a fire or fire complex would constitute a major disaster. FEMA utilizes the following specific criteria:

1. Threat to lives and improved property, including threats to critical facilities and/or infrastructure, and critical watershed areas;
2. Availability of state and local firefighting resources;
3. High fire danger conditions, as indicated by nationally accepted indices and
4. Potential major economic impact.

If FEMA determines that the state does meet the evaluation criteria, a fire cost threshold is applied to determine the amount of funding to be provided. Montana has a threshold of \$100,000 per fire and a cumulative threshold of \$500,000. When the thresholds are met, FEMA provides 75 percent of the eligible costs. The actual amount is calculated after



"On average, Montana must pay \$12.2 million of wildland fire suppression costs each year."



LFD Mission Statement

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.

The Legislative Fiscal Division

Presents

FOCUS ON...

Wildfire Suppression Funding



Sept. 2006

Fiscal Pocket Guide



"Fire suppression costs are not provided upfront funding through an appropriation by the legislature."



Primary Contact:: Barbara Smith
Room 110A, State Capitol
Helena, MT 59620-1711
(406) 444-5347
E-mail: basmith@mt.gov

Introduction

Wildland fire is a given in Montana. What are not predictable are the location, severity and ultimate cost to the state. On the average, Montana must pay \$12.2 million of wildland fire costs each year. Severe seasons, such as FY 2004 left the state with a liability of \$35.0 million, while milder seasons such as FY 2003 came in at \$2.0 million. Whether the liability is high or low, the cost of suppression is not provided upfront funding through an appropriation by the legislature.



The state also has signed an interagency agreement for cooperative wildfire management with federal fire agencies that also have fire protection responsibilities in Montana. Considerable investment has been made in the management of wildland fire for infrastructure, training and initial attack suppression activities with the philosophy that in reducing or limiting fire costs, the best defense is to extinguish the fire quickly.



Average Cost of Fire Suppression			
Fiscal Year	Total Cost	Reimbursements	Net Cost
2001	\$54,925,104	\$44,784,017	\$10,141,087
2002	16,417,193	3,549,700	12,867,493
2003	6,710,688	4,684,927	2,025,761
2004	79,579,965	44,582,841	34,997,124
2005	3,969,096	989,945	2,979,151
2006	8,806,797	3,066,927	5,739,870
2007 (through 8/31/06)	\$37,750,424	\$8,837,445	\$28,912,979
7 year averages	\$29,737,038	\$16,943,059	\$13,951,924
5 year adjusted average	\$24,922,041	\$12,984,603	\$12,128,116

Cash Flow Issues



Since suppression costs are not provided upfront funding through an appropriation by the legislature consequently DNRC does not have additional authority (and associated cash) specifically provided to pay these costs. DNRC must use a combination of tactics, including moving appropriations between programs and fiscal years, seeking disaster declaration to access the Governor's emergency fund, or even taking general fund loans, to come up with the authority to pay bills as they become due.

For example, to cover the state share of FY 2006 wildland fire cost, the department received the following budget modifications:

1. Transferred \$2.6 million of general fund authority within the Forestry Division from FY 2006 to FY 2007.
2. Transferred \$2.5 million of general fund authority from the FY 2007 budget of the Water Resources Division to the FY 2007 budget of the Forestry Division. A second transfer was made to move the authority from the FY 2007 budget to the FY 2006 budget of the Forestry Division.

In doing this, fires suppression obligations were paid for FY 2006 with appropriation authority intended for another purpose. Therefore, DNRC began FY 2007 with \$ 5.1 million less in general fund appropriation authority than originally granted by the 2005 Legislature.

If federal assistance is provided, the department must still use these tactics, because the assistance is not prepaid and the state must first cover the cost. While the Federal Emergency Management Agency (FEMA) chose to pre-pay costs FY 2004, it has not traditionally worked in this manner. (A discussion of FEMA assistance follows the funding explanation.)



Fire Suppression Basics

The Department of Natural Resources and Conservation (DNRC) is charged with providing wildland fire protection for state and private lands. DNRC provides direct protection to 5.2 million acres through its direct protection program, and an additional 45 million acres through the state/county cooperative fire program.

